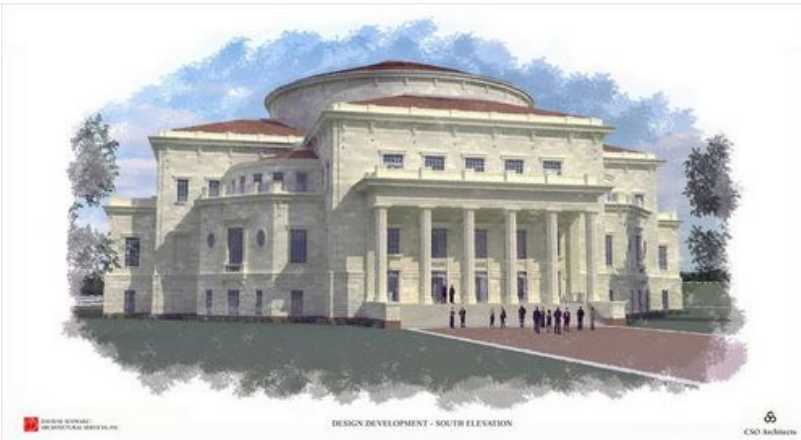


Carmel Redevelopment Commission



Tax Increment Report: Economic Development Areas Related to PAC and Downtown Improvements

February 17, 2010



What is TIF?

- **Tax increment financing (or “TIF”)** is a tool which captures the **increases** in assessed value from **new commercial development** within a designated area.
- TIF can be used to expand and improve infrastructure or provide other incentives to induce private investment and spur economic development.

What is TIF?

- The new businesses in a TIF Area still pay property taxes on their new private investment. The incremental taxes are captured to repay bonds or to pay directly for projects. The other taxing units forgo the increase in assessed value during the term of the TIF Area. After the TIF Area is ended, the increased assessed value becomes part of the tax base for all the taxing units.

Ways that TIF is used:

- **Economic Development**
 - To offer incentives to induce new private investment
- **Infrastructure Development and local improvements**
 - To encourage growth in a specific area such as a potential industrial, office or commercial area
 - To alleviate congestion and to facilitate additional growth in a developing area
 - To fund improvements to enhance area. Examples: fire stations, police stations
- **Redevelopment of blighted areas**
 - Examples: Rehab sewers, construct parking facilities or rehabilitate buildings in a downtown area

TIF Areas encourage downtown redevelopment in cities and towns throughout Indiana



Economic Development

Office Parks



**Alternative
Energy
Projects**



Major Industrial Attraction /Expansion Projects



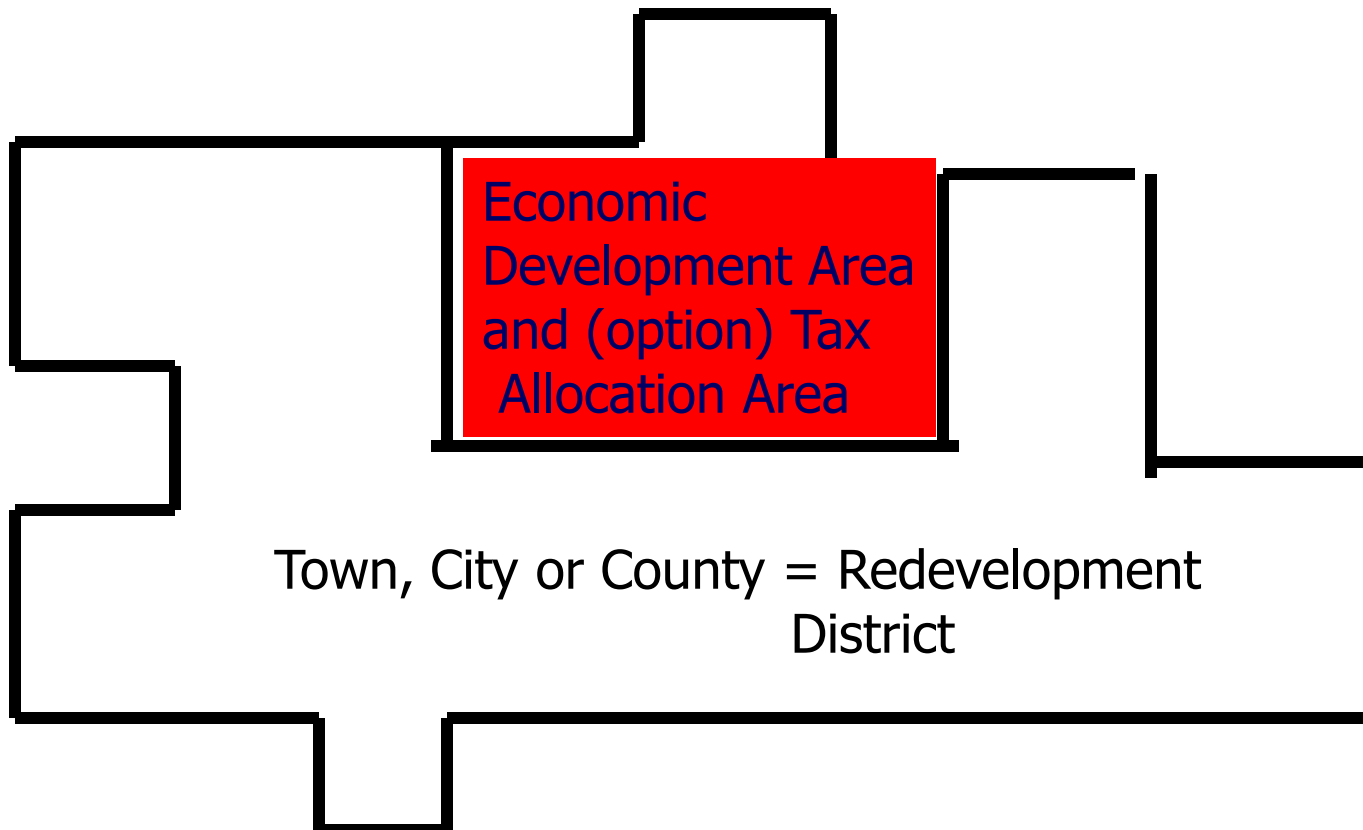
Industrial Parks

Economic Development

- Encourage new business investment
- Encourage job creation or retention
- Increase local and state tax base
- Improve local economic conditions
- Target: specific industries or market segments, geographic areas, minorities or low-income
- Competition among alternative sites



Tax Increment Financing (TIF) Area



Existing property assessed value is part of tax base for all overlapping taxing units

Tax Allocation Area –
Before New Construction



$$\begin{array}{rcccl} \text{Base} & & \text{Tax} & & \\ \text{NAV} & \times & \text{Rate} & = & \text{Taxes} \end{array} \begin{array}{l} - \text{County} \\ - \text{School} \\ - \text{Library} \\ - \text{City} \end{array}$$

TIF: Capture real and *(sometimes)* personal property assessed value growth



Tax Allocation Area – **After** New Construction

Incremental
Assessed Value x Tax
Rate = TIF
Taxes →

Redevelopment
Commission
Allocation
Fund

Base
Assessed Value x Tax
Rate = Taxes

→ County
→ School
→ Library
→ City/Town

Sample TIF Calculation

TIF Area:

Current Assessed Value (AV)	\$400,000,000
– <u>Base Assessed Value</u>	<u>(100,000,000)</u>
Incremental AV	300,000,000
x Property tax rate (per \$100 AV)	\$1.5000
Annual Tax Increment	\$4,500,000

Carmel's TIF Areas

SINGLE DEVELOPER TIF AREAS

- Paid from TIF and Developer payments only
- Examples: Parkwood, Clarian – Illinois Street, Merchants Square, City Center - Pedcor

TIF AREAS – downtown improvements

- Many CRC obligations paid from TIF only
- PAC Lease Bond paid from TIF with COIT/property tax back-up

Estimated vs. Actual TIF

(in millions)

Year <u>Payable</u>	<u>2005 TIF Estimate</u>	<u>Actual Collections</u>
2005	\$4.6	\$4.6
2006	4.2	4.1
2007	5.7	8.4
2008	6.5	10.8
2009	7.2	13.8



City Center RDA

2005 Estimate

2010 Estimate

2010 Incremental AV \$46,000,000
 2010 Tax Increment \$700,000

\$49,000,000
 \$855,000

- Pedcor office buildings
- Retail/office (235,000 sq. ft.)
- Parcel 12 separated for design center

- Old Town
 Shoppes





126th Street EDA

2005 Estimate

2010 Estimate

2010 Incremental AV	\$228,000,000
2010 Tax Increment	\$3,500,000

\$445,000,000
\$7,700,000

- Hilton Garden
- Hamilton Crossing
- Equicor

- Opus office buildings
- Nightingale HQ
- Lauth-Walker offices



126th Street EDA

- Capital Group
- Panda Express
- First Financial
- Renaissance Hotel
- Fineberg Building
- Providence Shoppes
- Staybridge Suites Hotel



Allied Solutions

126th Street EDA

New Center



Midwest ISO



New construction: Buckingham



Sunrise Senior Living Center



Other TIF Areas

Old Town, Old Meridian, Illinois Street, Hazel Dell North, Hazel Dell South

	<u>2005 Estimate</u>	<u>2010 Estimate</u>
2010 Incremental AV	\$107,000,000	\$253,000,000
2010 Tax Increment	\$1,600,000	\$4,400,000



- New Developments not anticipated- several office and medical buildings, and car dealerships
- Value was greater than estimates
- Village of West Clay commercial area



Estimated Tax Increment from the 126th Street Allocation Area

	2010		Year Payable				
Square	Amount	First Tax					
Footage	Abated	Year	2008	2009	2010	2011	2012
<u>Amended 126th Street</u>							
Existing incremental assessed value:			\$330,822,958	\$364,327,138	\$384,697,633	\$384,697,633	\$384,697,633
Existing abatements:							
303 Group LLC	\$4,169,600	2007	598,440	1,372,138	2,084,800	2,751,936	3,460,768
Allete Automotive Services (Duke Realty)	12,895,900	2005	4,609,388	6,477,850	7,737,540	9,027,130	10,316,720
Allete Automotive Services (Duke Realty)	7,793,800	2006	1,443,364	2,740,500	3,896,900	4,676,280	5,455,660
Carmel Office 1031 LLC (MISO bldg.)	8,594,500	2009		0	429,725	1,718,900	3,008,075
Capital Bank & Trust Company (Opus bldg. 1)	10,125,400	2009		0	506,270	2,025,080	3,543,890
New Development:							
Opus Landmark - Phase II	180,000	2011				16,200,000	16,200,000
Opus Landmark - Phase III	32,000	2011				2,800,000	2,800,000
Providence Shoppes	15,123	2011				1,000,000	1,000,000
Providence Shoppes	30,246	2011				2,100,000	2,100,000
Carmel Office Park Bldg. 4 (William Sollenberger)	8,364	2012					700,000
Anticipated developments							
Total incremental assessed value			337,474,150	374,917,626	399,352,868	426,996,959	433,282,746
Less estimated 2009 appealed assessed value (1)					(18,000,000)	(19,000,000)	(19,000,000)
Change in assessed value due to change in market value (2)							4,100,000
Net Incremental assessed value					381,352,868	407,996,959	418,382,746
Times: net tax rate			\$1.6043	\$1.7319	\$1.7319	\$1.7319	\$1.7319
Estimated Tax Increment			\$5,414,090	\$6,493,200	\$6,604,650	\$7,066,100	\$7,245,970

(1) Reduced for pending appeals: 10% in 2009 and 2010, and 3% in 2011.

(2) Assumes an annual 1% increase in assessed value due to increase in market value.

Additional TIF/ Potential Appeals

- Clarian Surplus
 - \$1,800,000 through 2023
 - \$3,000,000 through 2032
- Midwest ISO personal property
 - \$58,000 beginning in 2011
 - \$197,000 2017-2028
- Barrington PILOT Payments
 - \$40,000 beginning in 2012
 - Up to \$350,000 2018 and thereafter
- **Estimated tax appeals reduce** the AV by:
 - **10%** in 2009 and 2010
 - **3%** in 2011, then, held constant

Historical TIF

- First 10 years...TIF grew from \$0 in 1998 to:
\$770 million AV = \$13.3 million TIF in 2009, and database shows
\$850 million AV = \$14.7 million TIF in 2010 (adjusted for appeals)
-

TIF from Future Development

Based on building permits and developable sites per DOCS

- Assume **NO** new development growth **2010 – 2015**
(other than buildings already constructed or under construction)
- Estimated growth \$316 million AV = \$5.5 million TIF

Spread over time from 2016 - 2025 ...over 14 years

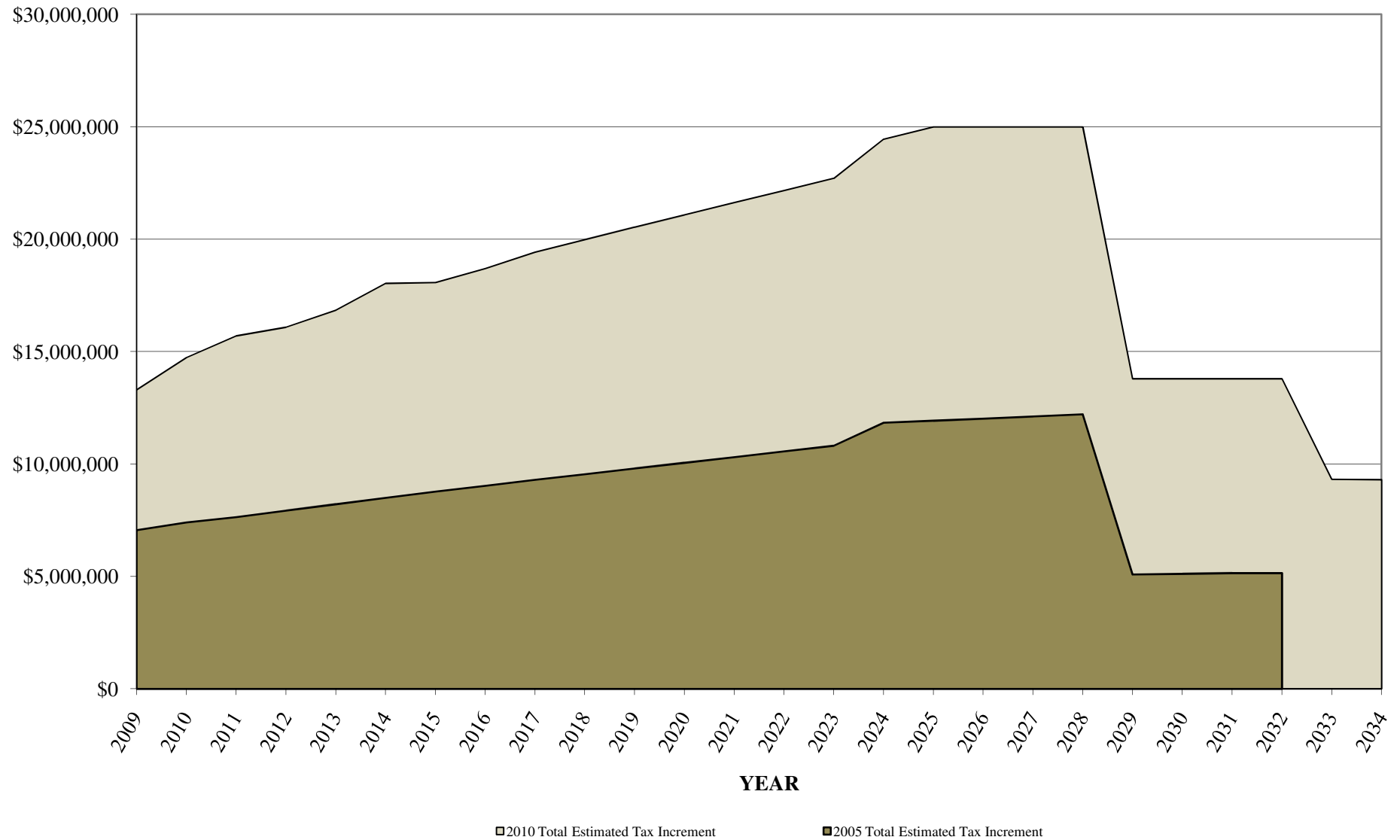
We allow 25 years for the new development to occur

Comparison of 2005 and 2010 TIF Estimates

(in millions)

<u>Year</u> <u>Payable</u>	<u>2005 TIF Estimate</u>	<u>2010 TIF Estimate</u>
2005	\$4.6	\$4.6
2010	7.4	14.7 (No new devt.)
2015	8.7	18.1
2020	10	21.1
2028	12.2	24.9
2029-2032	5.1	13.8

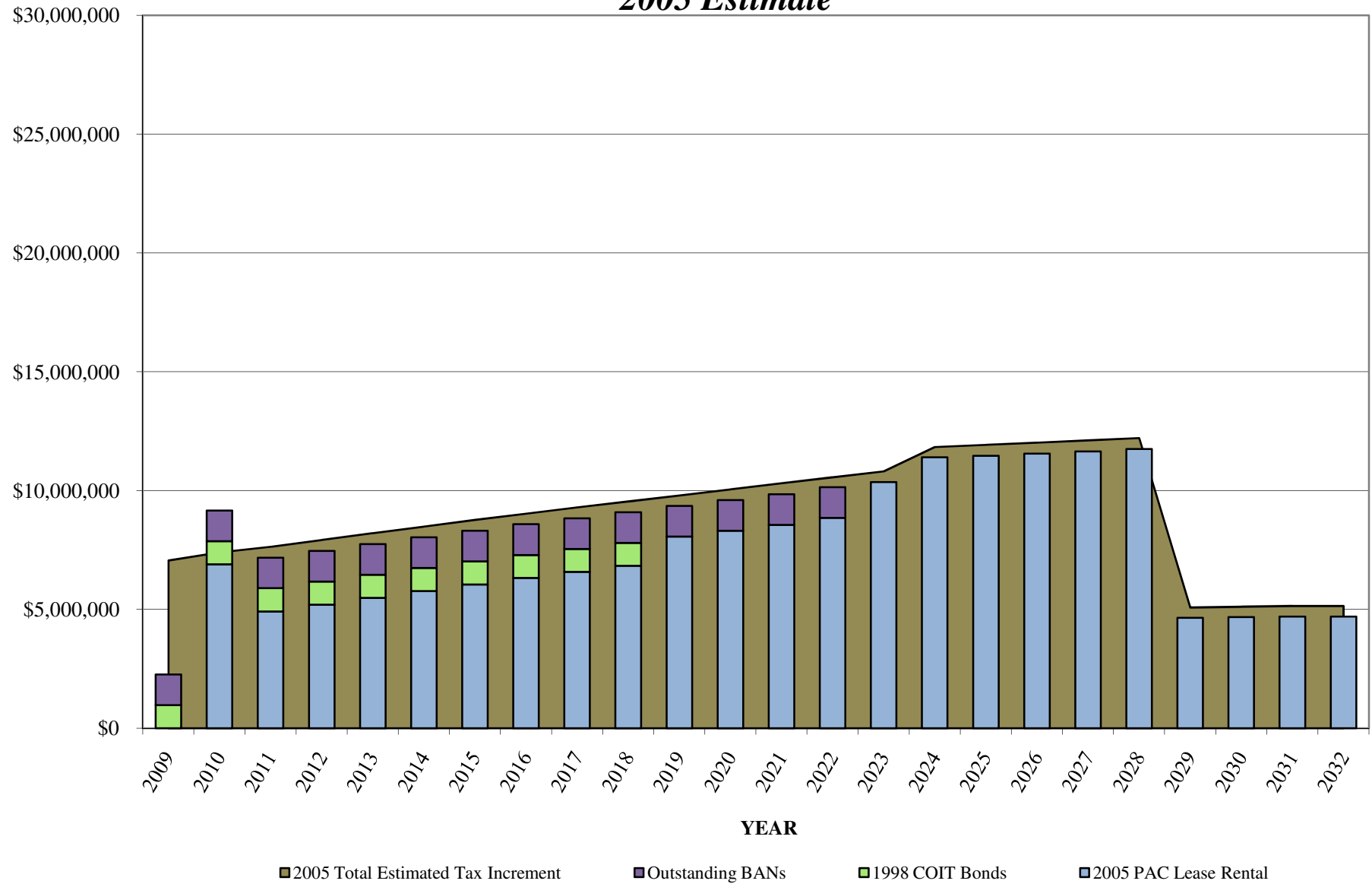
COMPARISON OF 2005 AND 2010 ESTIMATED TAX INCREMENT*



*The estimated TIF revenue is based on numerous assumptions that may not occur as estimated.

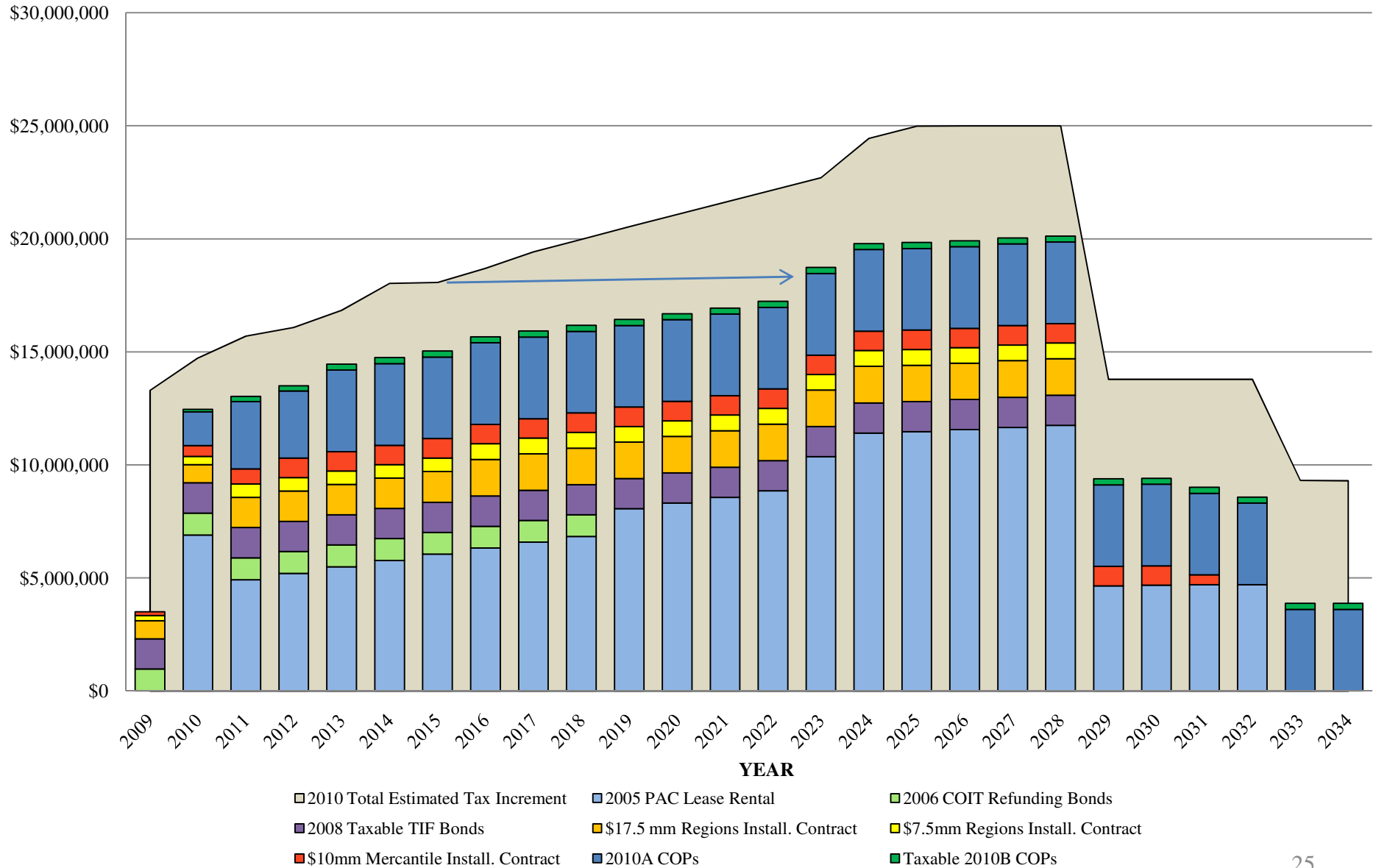
COMPARISON OF ESTIMATED TAX INCREMENT* AND OUTSTANDING OBLIGATIONS

2005 Estimate



*The estimated TIF revenue is based on numerous assumptions that may not occur as estimated.

COMPARISON OF ESTIMATED TAX INCREMENT* AND OUTSTANDING OBLIGATIONS *2010 Estimate*



*The estimated TIF revenue is based on numerous assumptions that may not occur as estimated.